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C O N F I D E N T I A L STATE 101422

E.O. 11652: GDS

TAGS: OVIP (KREPS, JUANITA) GW

SUBJECT: SECRETARY KREPS' VISIT TO BERLIN; MEETING WITH
GOVERNING MAYOR STOBBE

SUMMARY

KREPS-STOBBE MEETING FOCUSED PRIMARILY ON WHAT MIGHT BE
DONE TO ATTRACT NEW INVESTMENT TO BERLIN. SECRETARY
KREPS, IN REAFFIRMING U.S. COMMITMENT TO BERLIN, OFFERED
USDOC ASSISTANCE IN DISSEMINATING INFORMATION TO U.S.
FIRMS ON INVESTMENT OPPORTUNITIES IN THE CITY. DISCUSSION
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ALSO TOUCHED ON HOW U.S. BUSINESS MIGHT BE INCREASED, AND
THE ESTABLISHMENT BY THE CITY OF A SEMI-PRIVATE INDUSTRIAL
PROMOTION AGENCY. -

END SUMMARY

1. GOVERNING MAYOR STOBBE AND MAYOR LUEDER HAD LENGTHY

DISCUSSION WITH SECRETARY OF COMMERCE KREPS, A/S WEIL, AND AMBASSADOR ON ECONOMIC ISSUES RELATING TO BERLIN. PRINCIPAL EMPHASIS WAS, AS EXPECTED, ON HOW GREATER U.S. INVESTMENT MIGHT BE ATTRACTED INTO CITY.

2. STOBBE STRESSED IMPORTANCE OF CLOSE TIES BETWEEN U.S. AND BERLIN, AND EXPRESSED GRATITUDE FOR SERIES OF HIGH LEVEL VISITS BY CARTER ADMINISTRATION OFFICIALS. HE HOPED BERLIN COULD PLAY A MAJOR ROLE IN CONTRIBUTING TO CONTINUED IMPROVEMENTS IN OVERALL U.S.-GERMAN RELATIONS.

3. IN DISCUSSING BERLIN ECONOMIC SITUATION, STOBBE INDICATED NEED TO SEEK NEW INVESTMENT COMMITMENTS, AND HE HOPED USDOC WOULD DO ALL POSSIBLE TO GET U.S. COMPANIES TO INVEST. HE WAS REALISTIC AS TO HOW MUCH INFLUENCE U.S. GOVERNMENT COULD EXERT ON PRIVATE SECTOR DECISION-MAKING. SECRETARY KREPS EXPRESSED DESIRE TO BE HELPFUL, BUT REITERATED THE NARROW LIMITS TO U.S. GOVERNMENT INFLUENCE ON PRIVATE SECTOR. MAIN ASSISTANCE WOULD BE TO EXPAND EFFORT OF INDUSTRY AND TRADE ADMINISTRATION IN BEHALF OF CITY THROUGH GREATER DISSEMINATION OF INVESTMENT INFORMATION TO U.S. FIRMS. THIS COULD BE DONE AS PART OF OVERALL U.S. EXPORT EFFORT. KREPS STRESSED THAT MAYOR SHOULD NOT BE DISCOURAGED BY FACTORS (I.E. EXCHANGE RATE) THAT PERIODICALLY REDUCE U.S. INTEREST IN INVESTING.

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4. MAYOR LUEDER AGREED THAT DISSEMINATING INFORMATION WOULD BE VALUABLE, AND THAT U.S. FIRMS SHOULD BE AWARE THAT INTEREST IN HAVING U.S. FIRMS INVEST IS AS MUCH ECONOMIC AS POLITICAL. U.S. COMPANIES, HE SAID, ARE IN FACT DOING BETTER IN BERLIN THAN IN FRG AS A WHOLE. HE WANTED TO REEMPHASIZE THAT BERLIN IS A GOOD PLACE TO INVEST.

5. STOBBE INDICATED THAT IN THE PAST, BERLIN HAS PLEADED FOR INVESTMENT FOR POLITICAL REASONS. NOW IT IS NECESSARY TO PROMOTE SUCH INVESTMENT ON ECONOMIC GROUNDS. CONSEQUENTLY, A PROFESSIONAL, SEMI-PRIVATE INDUSTRIAL PROMOTION AGENCY WOULD SOON BE SET UP. SECRETARY KREPS HOPED THAT USDOC WOULD ORGANIZE ITSELF TO WORK WITH THIS NEW UNIT AND SUGGESTED ASSISTANT SECRETARY WEIL'S AGENCY AS CONTACT POINT. STOBBE AGREED TO THIS AND EXPRESSED HOPE THAT PROPER NETWORK OF CONTACTS COULD BE ESTABLISHED.

6. STOBBE STRESSED POLITICAL IMPORTANCE OF A HEALTHY BERLIN ECONOMY. NO PLACE IN THE WORLD IS THE EAST-WEST BALANCE OF POWER MORE VISIBLE. A HEALTHY BERLIN WOULD THEREFORE REFLECT WELL ON DEMOCRACY AS A SYSTEM. HIGH

UNEMPLOYMENT ON THE OTHER HAND WOULD BRING DEMOCRATIC
SYSTEM INTO QUESTION. SECRETARY KREPS AGAIN REAFFIRMED

THE U.S. DEDICATION TO THE ECONOMIC HEALTH OF BERLIN.

7. MAYOR LUEDER RAISED QUESTION OF BERLIN AS SITE FOR
FUTURE INTERNATIONAL CONFERENCES. HE HOPED THAT THE U.S.
GOVERNMENT COULD DO MORE TO ENCOURAGE PRIVATE GROUPS TO
HOLD MEETINGS IN NEW CONFERENCE CENTER ONCE IT IS
COMPLETED. STOBBE WAS REALISTIC ABOUT ABILITY OF U.S.
GOVERNMENT TO PROVIDE SPECIAL TAX CONCESSIONS FOR THIS
PURPOSE. NEVERTHELESS, HE STRESSED THE IMPORTANCE OF
BERLIN'S POLITICAL EXISTENCE AND WELCOMED ANY ACTION
THAT COULD BE TAKEN ON BEHALF OF THE CITY.
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8. LUEDER MENTIONED TWO WAYS OF PROMOTING GREATER
CONVENTION BUSINESS: (1) SPECIAL TREATMENT IN U.S.
TAX LAWS FOR CONFERENCES HELD IN BERLIN -- WHICH HE
RECOGNIZED WAS NOT REALLY VIABLE; AND (2) A SIGNAL FROM
THE U.S. GOVERNMENT TO PRIVATE SECTOR THAT IT WOULD
LIKE TO SEE MORE U.S. GROUPS HOLDING CONFERENCES IN
BERLIN. SECRETARY KREPS INDICATED A WILLINGNESS TO
DISCUSS THIS GENERAL ISSUE WITH REPRESENTATIVES OF OTHER
AGENCIES. -

9. STOBBE APPEARED INTERESTED IN KREPS' ASSESSMENT OF
U.S. ECONOMY AND REQUESTED A DETAILED RUNDOWN ON U.S.
ECONOMIC PROSPECTS. CHRISTOPHER

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